

Message Text

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ACTION AGR-20

INFO OCT-01 ARA-16 EUR-25 EA-11 ISO-00 SPC-03 AID-20 EB-11

NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01

CEA-02 COME-00 CIAE-00 DODE-00 INR-10 NSAE-00 PA-04

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R 302042Z OCT 73

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 1996

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY CARACAS

AMEMBASSY LIMA

AMEMBASSY LONDON

AMEMBASSY TOKYO

AMCONSUL WINNIPEG

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR CA BR PE CO VE

SUBJECT: CANADIAN WHEAT BOARD AND WORLD WHEAT SITUATION

REF: (A) STATE 211027 OCT 26 (B) CN3094 OCT 25

1. NICK HILLS, REPUTABLE REPORTER, SOUTHAM NEWS SERVICES, SPECULATES IN ARTICLE PUBLISHED OTTAWA CITIZEN, SEPT. 10 THAT OTTO LANG, MINISTER RESPONSIBLE FOR CANADIAN WHEAT BOARD (CWB) WANTS "COUNTRIES LIKE JAPAN, RUSSIA AND CHINA TO MAKE BUYING COMMITMENTS TO CANADA THAT WOULD INCLUDE SOME TYPE OF PRICE GUARANTEES".

2. HILLS STATES "LANG WOULD LIKE TO NEGOTIATE NEW INTER-
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NATIONAL GRAINS ARRANGEMENT WHICH WOULD PUT A WORLD FLOOR

ON THE PRICE OF WHEAT. THE UNITED STATES, HE BELIEVES, IS NOT INTERESTED IN COOPERATING, SO CANADA WILL GO IT ALONE AND TRY TO SIGN BILATERAL AGREEMENTS."

3. HILLS CLAIMS THAT SOUTHAM NEWS SERVICES "HAS LEARNED THAT CANADA WANTS TO NEGOTIATE WHEAT-EXPORT AGREEMENTS THAT OVER THREE YEARS WOULD CONTAIN \$5 PER BUSHEL PRICE CEILING AND \$3 PER BUSHEL FLOOR. IF AGREEMENTS COVERED FIVE TO SEVEN YEARS, PRICE WOULD RANGE FROM \$2.50 TO \$3.50 PER BUSHEL".

4. ON STORAGE, HILLS STATES "LANG PREPARED TO GUARANTEE CANADA'S TOP CUSTOMERS THAT COUNTRY CAN GROW ALL WHEAT THEY WANT, BUT IN RETURN HE WANTS THEM TO HELP PAY FOR STORAGE. IN PARTICULAR, HE WOULD LIKE JAPAN, WHICH TRADITIONALLY BUYS BY WEEKLY TENDER, TO ENTER INTO LONG-TERM AGREEMENTS AND STORE THE GRAIN IN JAP.. HE WANTS PRAIRIE FARMERS BY INCREASING WHEAT ACREAGE TO BUILD BACK WHEAT CARRY-OVER TO AROUND 600 MILLION BUSHEL. BUT OF THAT AMOUNT STORED IN CANADA, THE FOREIGN BUYERS WOULD PROBABLY BE ASKED TO PAY TWO-THIRDS THE COST."

5. EMBOFFS HAVE DISCUSSED ABOVE ARTICLE WITH EXECUTIVE ASSISTANT TO LANG AND WITH GRAIN OFFICIALS DEPARTMENT INDUSTRY, TRADE AND COMMERCE (ITC). LANG'S ASSISTANT STATED HILLS' ARTICLE NOT BASED ON INTERVIEW WITH LANG. HE CONFIRMED LANG AND CWB INTERESTED IN LONG-TERM AGREEMENTS BUT DENIED SEEKING LONG-TERM PRICING ARRANGEMENTS MENTIONED IN ARTICLE. AS FOR HILLS' STORAGE STATEMENT, LANG'S ASSISTANT REFERRED TO LANG'S STATEMENT AT WINNIPEG WORLD GRAIN SEMINAR, OCTOBER 22, (REF B) THAT CANADA PREPARED TO MOVE IN DIRECTION OF INTERNATIONAL FOOD RESERVE, "BUT WE HAVE FOUND THAT SOME NATIONS ARE RELUCTANT TO SHARE THE COST. I THINK DISCUSSION ON THIS SUBJECT SHOULD ADVANCE QUICKLY, INVOLVE AS MANY NATIONS AS POSSIBLE AND BE COORDINATED BY A COMMITTEE OF THE APPROPRIATE INTERNATIONAL ORGANIZATIONS." ITC GRAINS OFFICIALS FOLLOWED SAME GENERAL LINE AND ONE SUCH OFFICIAL HAVING MAJOR CWB LIAISON RESPONSIBILITIES STATED HIS OPINION THAT GOC'S EXPERIENCE IN TRYING TO HOLD CUSTOMER COUNTRIES TO LONG-TERM PRICE AGREEMENTS WHEN WORLD PRICES DROP BELOW LIMITED OFFICIAL USE

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AGREED PRICE INEVITABLY CAUSES CUSTOMER UNHAPPINESS AND POSSIBLE LOSS OF SUBSEQUENT LONG-TERM AGREEMENT.

6. COMMENT: EMBOFFS CONCLUDE ON THE BASIS OF ABOVE DISCUSSIONS, THAT CWB UNDOUBTEDLY SEEKING LONG-TERM AGREEMENTS, BUT WE COULD NOT CONFIRM HILLS' PRICE OR STORAGE CLAIMS. FULL TEXT OF ARTICLE AIRGRAMMED TODAY.
SCHMIDT

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